

MEETING  
STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
OPEN SESSION

ROBERT F. CARLSON AUDITORIUM  
LINCOLN PLAZA NORTH  
400 P STREET  
SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 19, 2017

9:01 A.M.

JAMES F. PETERS, CSR  
CERTIFIED SHORTHAND REPORTER  
LICENSE NUMBER 10063

A P P E A R A N C E S

BOARD MEMBERS:

Mr. Rob Feckner, President

Mr. Henry Jones, Vice President

Mr. Michael Bilbrey

Mr. John Chiang, represented by Mr. Eric Lawyer

Mr. Richard Costigan

Mr. Richard Gillihan

Ms. Dana Hollinger

Mr. J.J. Jelincic

Mr. Ron Lind

Ms. Priya Mathur

Mr. Bill Slaton

Ms. Theresa Taylor

Ms. Betty Yee, represented by Ms. Karen Greene Ross

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Ms. Liana Bailey-Crimmins, Interim Deputy Executive Officer

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Matthew Jacobs, General Counsel

Mr. Douglas Hoffner, Deputy Executive Officer

Ms. Donna Lum, Deputy Executive Officer

A P P E A R A N C E S   C O N T I N U E D

STAFF:

Mr. Brad Pacheco, Deputy Executive Officer

Mr. Scott Terando, Chief Actuary

Ms. Marlene Timberlake D'Adamo, Interim Chief Financial Officer

Ms. Mary Anne Ashley, Chief, Legislative Affairs Division

Ms. Kara Buchanan, Board Secretary

ALSO PRESENT:

Mr. Michael Flaherman

Mr. Chirag Shah, Shah & Associates  
(via teleconference)

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## P R O C E E D I N G S

PRESIDENT FECKNER: Good morning, everyone.  
We're going to call the Board of Administration Meeting to  
order. The first order of business will be to call the  
roll, please.

BOARD SECRETARY BUCHANAN: Good morning.

PRESIDENT FECKNER: Good morning.

BOARD SECRETARY BUCHANAN: Rob Feckner?

PRESIDENT FECKNER: Good morning.

BOARD SECRETARY BUCHANAN: Henry Jones?

VICE PRESIDENT JONES: Here.

BOARD SECRETARY BUCHANAN: Michael Bilbrey?

BOARD MEMBER BILBREY: Good morning.

BOARD SECRETARY BUCHANAN: Eric Lawyer for John  
Chiang?

ACTING BOARD MEMBER LAWYER: Good morning.

BOARD SECRETARY BUCHANAN: Richard Costigan?

BOARD MEMBER COSTIGAN: Good morning.

BOARD SECRETARY BUCHANAN: Richard Gillihan?

BOARD MEMBER GILLIHAN: Here.

BOARD SECRETARY BUCHANAN: Dana Hollinger?

BOARD MEMBER HOLLINGER: Here.

BOARD SECRETARY BUCHANAN: J.J. Jelincic?

BOARD MEMBER JELINCIC: Still here.

(Laughter.)

1 BOARD SECRETARY BUCHANAN: Ron Lind?

2 BOARD MEMBER LIND: Here.

3 BOARD SECRETARY BUCHANAN: Priya Mathur?

4 BOARD MEMBER MATHUR: Good morning.

5 BOARD SECRETARY BUCHANAN: Bill Slaton?

6 BOARD MEMBER SLATON: Here.

7 BOARD SECRETARY BUCHANAN: Theresa Taylor?

8 BOARD MEMBER TAYLOR: Here.

9 BOARD SECRETARY BUCHANAN: And Karen Greene-Ross  
10 for Betty Yee?

11 ACTING BOARD MEMBER GREENE-ROSS: Here.

12 PRESIDENT FECKNER: Thank you.

13 Next order of business will be the Pledge of  
14 Allegiance. I've asked Mr. Jones to please lead us in the  
15 Pledge.

16 If you'd all please rise.

17 VICE CHAIRPERSON JONES: Okay. Ready? Begin.

18 (Thereupon the Pledge of Allegiance was  
19 recited in unison.)

20 PRESIDENT FECKNER: Item 3 is the Board  
21 President's report.

22 So first, I'd like to start by saying good  
23 morning to everyone.

24 I'd like to take this opportunity to talk about  
25 yesterday's discussion involving the East San Gabriel

1 Valley Human Services Consortium, and the Board's decision  
2 last month to terminate its contract.

3 I think I speak for all of us here on the Board,  
4 when I say how much we valued and appreciated the  
5 statements made by the retirees who appeared before us  
6 yesterday. They came here from Southern California to  
7 tell us their stories, and their comments were heartfelt  
8 and deeply moving.

9 They talked about the work they did and what it  
10 meant to them and to their communities. And one thing  
11 came through very clearly is that they and their  
12 colleagues at the Consortium worked hard, did their jobs  
13 with great pride, and paid their share of their pension  
14 contributions.

15 But one other thing was also crystal clear, East  
16 San Gabriel did not pay its fair share. It got into a  
17 billing dispute, had its funding just about completely  
18 cut, and then quit paying for the benefits it had promised  
19 to its employees. In the meantime, their Board consisting  
20 of representatives from the cities and the consultant are  
21 still meeting three years later, and I would doubt that  
22 they're doing it for free.

23 And then the four cities that created the  
24 Consortium refused to honor their ethical and moral  
25 obligation to pay as well. So we, as a Board, were left



1 with a terrible and difficult decision to terminate the  
2 contract with East San Gabriel and reduce retirement  
3 benefits for nearly 200 members.

4           Cutting benefits is not what any of us on this  
5 Board came here to do. We're here to pay promised  
6 benefits, not reduce them. But as several of my fellow  
7 Board members said yesterday, we're have an obligation to  
8 all of our 1.8 million members. We must protect the  
9 System, and ensure we're able to pay benefits not just for  
10 this year or next year, but for generations to come.

11           As Mr. Bilbrey so eloquently said yesterday, even  
12 though our responsibility is to the system as a whole, we  
13 wanted very much to find a solution in this case, but  
14 unfortunately one wasn't there.

15           We couldn't act without negatively impacting the  
16 responsible employers who pay their bills in full, make  
17 their contributions, and honor the promises they've made  
18 to the public servants who are serving California.

19           Switching topics now, I'd like to take a moment  
20 on or -- to offer my sincere condolences on behalf of  
21 CalPERS and our Board to the family of Fritz Walgenbach.  
22 Fritz was the last executive vice president of the  
23 California State Retirees. And we learned that he passed  
24 away Monday evening.

25           Fritz was an involved CalPERS member, who

1 represented our active and retired members through many  
2 different organizations for more than 50 years. He  
3 regularly attended our stakeholder meetings, and was a  
4 reasoned voice in those discussions. He often brought his  
5 wife to our meetings. She had suffered from dementia and  
6 he made it a point to introduce her each and every time.  
7 Fritz will be dearly missed and our thoughts and  
8 sympathies go out to his family and friends.

9 Moving on to Agenda Item 4, Executive Report.

10 Item 4a, the Chief Executive Officer's Report,  
11 Ms. Frost.

12 CHIEF EXECUTIVE OFFICER FROST: Good morning, Mr.  
13 President and members of the Board. I'd like to start off  
14 today by touching on some important items before you at  
15 this month's meeting beginning with the State and school  
16 valuation.

17 So every year at this time, we do present out the  
18 employer valuation reports for your consideration. And  
19 the valuations that were presented at the Finance and  
20 Administration Committee yesterday, and which you'll be  
21 taking up shortly today, provide clarity for the State and  
22 schools on what their contribution rates will be with the  
23 new discount rate factored in.

24 We certainly did know that contribution rates  
25 would increase -- projected contribution rates were

1 increasing, but we're pleased to report that the increase  
2 is less than originally projected for most of our plans  
3 from about a half percent to a full percent less.

4 Rates for school employees were lower than  
5 projected by about a third of a percent as well. And  
6 we're well aware of the impact that the increases are  
7 having on our employer partners. And as we go forward, we  
8 have strengthened our commitment to making sure they have  
9 all the information they need, so that they understand the  
10 costs of the benefits that they have promised to their  
11 employees, and to properly prepare their budgets over a  
12 longer period of time. Upon your approval, the final  
13 valuation reports for employers will be completed at the  
14 end of June.

15 Mr. Feckner also touched on this item this  
16 morning, but I thought I could talk a bit about it. It is  
17 a topic we've covered in quite a level of detail over the  
18 last few months. And so I think it's worthwhile to talk a  
19 bit more about it this morning.

20 This was the issue of the terminated agency pool  
21 that was talked about at the Finance and Administration  
22 Committee yesterday. And I wanted to take a moment again  
23 to clarify the purpose of the TAP.

24 So the TAP does exist for agencies who are  
25 looking to terminate their CalPERS contracts, but want to

1 pay for the benefits in full that they promise to their  
2 employees. In order to enter the pool, the employers pay  
3 the full unfunded liability in order to enter the TAP.  
4 The money that is invested in the TAP is invested in a  
5 very secure, very safe manner, so that the funds are kept  
6 stable for the lifetime of those enrolled employees.

7 As the Committee heard yesterday, the biggest  
8 risk for the fund is that it could become diluted very  
9 easily if employer groups were allowed to terminate and be  
10 moved into the TAP without paying for the full  
11 liabilities.

12 That would create the kind of instability that we  
13 all want to avoid and that could compromise again the  
14 surety of the members whose retirements are dependent upon  
15 the solvency of the TAP. We do appreciate the thorough  
16 discussion about the TAP's purpose. And as part of our  
17 ongoing efforts to inform employer partners, we will make  
18 sure they have a clear understanding of this going  
19 forward, as well as improved communication to the members  
20 who could be potentially impacted if an employer would  
21 decide to terminate their contract with us, or be  
22 terminated for nonpayment.

23 We will have an employer health report for you in  
24 May that will give you much more detail as to the current  
25 State of all of the employers in the System.

1           On our proposed budget, also yesterday, was the  
2 first reading of the fiscal year 2017-18 budget. And as  
3 you heard, we've made every effort to reduce cost and  
4 complexity, and improve efficiencies wherever we possibly  
5 can.

6           As a result, our new budget represents a 6.2  
7 percent reduction in expenses over last year's budget.  
8 That's a savings of \$110 million. And those funds  
9 certainly stay in the fund. In addition, by looking at  
10 ways to streamline efficiencies throughout the  
11 organization, we are not requesting any new positions.  
12 And, in fact, we're rolling off five temporary  
13 limited-term positions that were used to address backlogs  
14 that have been cleared up. The next step in the budget  
15 process will be a second reading and that will be done in  
16 your May meeting.

17           Our efforts to continue to find ways to  
18 streamline our operations will continue well beyond the  
19 approval of the budget. And I greatly appreciate the  
20 Board's oversight over this very important matter. If  
21 we're going to ask our partners to contribute to the  
22 long-term success of the CalPERS fund, then we need to  
23 make sure we're doing everything possible on our end to  
24 contribute as well.

25           Now onto our asset liability management process

1 that continued on Monday in the Investment Committee on  
2 the roles and the benchmarks associated with our private  
3 asset classes. As you know, there are many ways to view  
4 our asset allocation, and that's why our step-by-step  
5 comprehensive ALM process is so critical. It will set the  
6 foundation for how we will invest our portfolio over the  
7 next several years.

8 Looking ahead over the next months, the Board is  
9 scheduled to adopt the capital market assumptions in June,  
10 which will guide us in how we view the financial landscape  
11 moving forward in this process.

12 Then in July, our Investment Office will lead a  
13 workshop on alternative strategic asset allocation. And  
14 as the ALM discussions continue through the fall, we'll  
15 have another important workshop in November that will help  
16 you determine the level of investment risk you are  
17 comfortable with.

18 All of our efforts this year will, of course,  
19 lead up to the decision as early as December to adopt our  
20 next strategic asset allocation mix for the portfolio.

21 Turning now to the health care front, I want to  
22 address the analysis you heard about combination health  
23 plans yesterday during the Pension's Health and Benefits  
24 Committee.

25 As you know, a combination plan refers to a

1 family health plan in which one member is eligible for  
2 Medicare, while another family member is only eligible for  
3 a basic plan. Currently, in these plans, all parties must  
4 select the same health care carrier.

5           The information presented yesterday looks at the  
6 concept of allowing individuals enrolled in a combination  
7 plan to separately enroll in plans offered by different  
8 health providers. As a follow up to the February Board  
9 meeting, our health team shared its analysis of the  
10 potential costs and operational impacts that would result  
11 from a change to the current regulations to accommodate a  
12 multi-carrier option.

13           Our ultimate goal at CalPERS is to provide our  
14 members with very high value plans that are affordable,  
15 that are accessible, and provide a range of high quality  
16 choices to meet their needs.

17           On another matter, last week I participated in  
18 some discussions with the editorial boards at the  
19 Sacramento Bee and the Los Angeles Times. These were good,  
20 thoughtful meetings that gave us a chance to tell our own  
21 story about the importance of defined benefit plans, as  
22 they relate to financial security and retirement.

23           As we expected, the greatest areas of interest  
24 centered around our funded status, and the recent changes  
25 to the discount rate, the impact to public employers, and

1 the challenges we all face to protect the long-term  
2 sustainability of the fund.

3 We also spent some time talking about the issue  
4 of divestment, which gave us a chance to emphasize that  
5 divestment means we lose our seat at the table, and that  
6 we prefer to lead with engagement and not lead with  
7 divestment, i.e. not selling our shares.

8 I did emphasize to the editorial boards that  
9 we're looking at every decision now through the lens of a  
10 65 percent funded status, and I made it clear that we're  
11 focused on cost, complexity, and risk.

12 Finally, I'd like to talk about a few internal  
13 matters. As I mentioned last month, our search for two of  
14 our top executive positions, the Chief Financial Officer,  
15 and the Chief Health Director for our benefits programs  
16 policy and planning area is moving along. We have  
17 completed interviews for the Chief Health Director  
18 position, and are actively recruiting highly qualified  
19 candidates for our CFO.

20 I'm pleased to let you know that we should have a  
21 final announcement on the Chief Health Director position  
22 within the next couple weeks.

23 In other internal activities, on Saturday, April  
24 29th, we will be hosting an information technology career  
25 fair to the public here on our own campus. This event is



1 designed to fill a small number of immediate vacancies,  
2 approximately five or six vacancies, again in the  
3 immediate, and build a pipeline for future vacancies as  
4 they occur throughout the year.

5           When we look at the vacancies that were filled in  
6 the last year, approximately 75, several of those  
7 candidates actually were sourced through the IT career  
8 fair. IT professionals and college grads will be meeting  
9 with hiring managers. They can get an understanding in a  
10 day in the life of an IT professional at CalPERS. They'll  
11 be able to take eligibility exams and apply for jobs  
12 on-site actually during the fair.

13           So we're looking forward to another great  
14 turn-out and to the opportunity to showcase CalPERS as a  
15 destination employer.

16           The following week, on May 2nd through 4th, the  
17 Human Resources Division will host our annual Career and  
18 Education Fair for our own employees. Team members will  
19 be able to explore training and employment resources  
20 provided by our HR department, visit with division  
21 representatives, again understanding the various roles and  
22 responsibilities we have at CalPERS. And if they have an  
23 interest in working in other teams, this will give them  
24 insight into what that work looks like.

25           They'll be able to talk with university and

1 community college representatives, and also learn about  
2 community resources that could help them support their own  
3 goals. The Career and Education Fair supports our  
4 strategic objective to develop and retain our current  
5 workforce.

6 And then I'd like to wrap-up my report today with  
7 one final update on employee communication. A couple of  
8 weeks ago, I was able to host a small group gathering with  
9 about 20 CalPERS team members. And these were team  
10 members who were randomly selected to be invited to this  
11 event, and come completely voluntary on whether they  
12 choose to -- choose to attend.

13 These are sessions that I'll be holding every  
14 month from now on, in which we sit down over lunch and we  
15 talk about the work we do. I do like these types of  
16 casual meetings. I like the opportunity to have a  
17 conversation that's very open and candid. And I think if  
18 future meetings are representative of the one that we just  
19 completed, I think that's exactly what's being  
20 accomplished.

21 It's not only a great way for me to meet people,  
22 in an informal setting, but I get to hear first hand  
23 what's working well within the organization, and where we  
24 have an opportunity to provide additional resources or  
25 leadership.

1           And as I've said before, our goal as leaders of  
2 this organization is to ensure that our team members have  
3 everything they need to be successful in serving our  
4 members. And I'll, again, be holding these every month.

5           So that concludes my report, Mr. President. And  
6 I'm happy to stake any questions.

7           PRESIDENT FECKNER: Thank you. Seeing none.  
8           Agenda Item 4b, Chief Investment Officer's  
9 report. Mr. Eliopoulos, please.

10          CHIEF INVESTMENT OFFICER ELIOPOULOS: Good  
11 morning, Mr. President, members of the Board.

12          PRESIDENT FECKNER: Good morning.

13          CHIEF INVESTMENT OFFICER ELIOPOULOS: I have a  
14 brief update on the performance of the Public Employees'  
15 Retirement Fund as of February 28th, 2017.

16          The total fund performance for the fiscal year to  
17 that date is 7.1 percent. As you know, we prefer to  
18 examine returns over a longer time period, as we believe  
19 those are more meaningful. The three-year return is a 5.2  
20 percent, the five-year return is 8.0 percent, the ten-year  
21 return, reflecting the impact of the global financial  
22 crisis, is 4.6 percent, and the 20-year return of the  
23 total fund is 6.9 percent.

24          All asset class allocations are within their  
25 policy ranges. And the total fund assets are valued, as

1 of February 28th, 2017, at the 310 billion -- \$310.9  
2 billion.

3 Mr. President, that is my report.

4 PRESIDENT FECKNER: Thank you. Seeing no  
5 requests to speak. That brings us to agenda Item 5, the  
6 consent items. Having no request to move anything off,  
7 what's the pleasure of the Board?

8 BOARD MEMBER MATHUR: Move approval.

9 BOARD MEMBER TAYLOR: Second.

10 PRESIDENT FECKNER: Moved by Mathur, seconded by  
11 Taylor.

12 Seeing no discussion.

13 All in favor say aye?

14 (Ayes.)

15 PRESIDENT FECKNER: Opposed, no?

16 Motion carries.

17 Item 6 is the information consent. Having no  
18 request to move anything from that, we shall move to Item  
19 7.

20 7a, the Investment Committee. For that, I call  
21 on the Chair, Mr. Jones.

22 VICE PRESIDENT JONES: Thank you, Mr. President.  
23 The Investment Committee met on April 17th, 2017. The  
24 Committee approved the following:

25 Agenda Item 5a, to approve the Total Fund

1 Investment Policy subject to the following additional four  
2 revisions:

3 In the divestment section, reflect that staff's  
4 review of in-force divestments shall be conducted at least  
5 every five years; delete the additional 72-hour notice  
6 requirement for section 7; in appendix 1, add a reference  
7 to the sub-programs to the annual review conducted by the  
8 private-asset-class board consultants; and, in appendix 2,  
9 at the phrase, "consistent with the Board-approved  
10 investment policy".

11 The Committee received a report on an overview of  
12 the proposed private equity asset class roles and  
13 benchmark in preparation of the ALM cycle.

14 The Chair directed staff to do the following:

15 Provide the Committee with the link to the last  
16 two biannual risk reports; and, at a future meeting,  
17 consider inviting one private equity manager to address  
18 the Committee in closed session.

19 The Committee heard public comment on: One, the  
20 revisions to the divestment policy; two, the importance of  
21 focusing on our fiduciary duty; and three, a labor  
22 dispute.

23 At this time, I would like to share some  
24 highlights of what to expect at the May Investment  
25 Committee meeting. The Investment Office cost

1 effectiveness report and the Investment Office Roadmap and  
2 Target Operating Model update.

3 The next meeting of the Investment Committee is  
4 scheduled for May 15, 2017 in Sacramento, California. And  
5 that concludes my report, Mr. President.

6 PRESIDENT FECKNER: Thank you, Mr. Jones.

7 That brings us to 7b, Pension and Health Benefits  
8 Committee. For that, I call on the Chair, Ms. Mathur.

9 BOARD MEMBER MATHUR: Thank you, Mr. President.

10 The Pension and Health Benefits Committee met on  
11 April 18th, 2017 yesterday. The Committee received  
12 reports on several topics, including the health plan trend  
13 report, which included the analysis of reported findings  
14 for FY16. Costs were stated in PMPM terms and allow a  
15 better understanding -- that's per member per month  
16 terms -- and allow a better understanding of the factors  
17 that impact health care premiums.

18 We also heard about the health benefit design  
19 proposals anticipated for 2018. The report provided the  
20 Committee information concerning potential benefit design  
21 changes.

22 Planning of Health Care Beliefs. This report  
23 provided a framework regarding the Health Planning and  
24 Research Department's path forward for developing the  
25 CalPERS Health Beliefs and timeline.

1           And we also heard about health care combination  
2 enrollments. And this report reviewed the history of the  
3 multi-carrier combination plan concept combo enrollment,  
4 and as well as some analysis around -- around that.

5           The Committee received public comment from Donna  
6 Snodgrass of RPEA and Larry Woodson of CSR regarding the  
7 combination enrollment issue.

8           The Chair directed staff to:

9           Bring back additional information regarding  
10 whether the Castlight and Welvie tools can be used for HMO  
11 members in addition to PPO members;

12           Also, to bring back analysis associated with the  
13 feasibility of soliciting for another plan option for  
14 combination enrollments that reside outside of the  
15 UnitedHealthcare basic coverage area and the Kaiser  
16 Medicare coverage areas;

17           And to bring back additional information  
18 regarding access to quality providers at the recommended  
19 reference prices in the 12 additional categories across  
20 California.

21           At the next -- at the May Pension and Health  
22 Benefits Committee meeting, we will be reviewing  
23 preliminary 2018 health rates. We will also hear  
24 information on the customer services and support  
25 performance update, and on the long-term care third-party

1 administrator. We will review legislative bills and the  
2 long-term care contract award.

3 And the next meeting of the PHBC is scheduled for  
4 May 16th, 2017 in Sacramento, California.

5 That concludes my report, Mr. President.

6 PRESIDENT FECKNER: Thank you, Ms. Mathur.

7 That brings us to Item 7c, the Finance and  
8 Administration Committee report. For that I call on the  
9 Chair, Mr. Costigan.

10 BOARD MEMBER COSTIGAN: Thank you, Mr. President.

11 The Finance and Administration Committee met on  
12 April 18th, 2017.

13 The Committee recommends and I move the Board  
14 approve the following:

15 Agenda Item 3b, approve the April 2017  
16 prospective report of solicitation contracts, purchase  
17 orders, and letter of engagement.

18 PRESIDENT FECKNER: On motion by Committee.

19 Any discussion on the motion?

20 Seeing none.

21 All in favor say aye?

22 (Ayes.)

23 PRESIDENT FECKNER: Opposed, no?

24 Motion carries.

25 BOARD MEMBER COSTIGAN: Agenda Item 3c, approve



1 the June 30th, 2016 Judges' Retirement System actuarial  
2 valuation report, and adopt the employer and employee  
3 contribution rates.

4 PRESIDENT FECKNER: On motion by Committee.

5 Any discussion on the motion?

6 Seeing none.

7 All in favor say aye?

8 (Ayes.)

9 PRESIDENT FECKNER: Opposed, say no?

10 Motion carries.

11 BOARD MEMBER COSTIGAN: Agenda Item 3d, approve  
12 the June 30th, 2016 Judges' Retirement System II actuarial  
13 valuation report and adopt the employer and employee  
14 contribution rates.

15 PRESIDENT FECKNER: On motion by Committee.

16 Any discussion on the motion?

17 Ms. Taylor.

18 BOARD MEMBER TAYLOR: No, I'm sorry.

19 PRESIDENT FECKNER: Oh. Seeing no discussion.

20 All in favor say aye?

21 (Ayes.)

22 PRESIDENT FECKNER: Opposed, no?

23 Motion carries.

24 BOARD MEMBER COSTIGAN: Agenda Item 3e, approve  
25 the June 30, 2016 Legislators' Retirement System actuarial

1 valuation report and adopt employer and employee  
2 contribution rates.

3 PRESIDENT FECKNER: On motion by Committee.

4 Any discussion on the motion?

5 Seeing none.

6 All in favor say aye?

7 (Ayes.)

8 PRESIDENT FECKNER: Opposed say no?

9 Motion carries.

10 BOARD MEMBER COSTIGAN: Agenda Item 3f, approve  
11 the 1959 Survivor Benefit Program actuarial valuation  
12 report as of June 30th, 2016.

13 PRESIDENT FECKNER: On motion by Committee.

14 Any discussion on the motion?

15 Seeing none.

16 All in favor say aye?

17 (Ayes.)

18 PRESIDENT FECKNER: Opposed, no?

19 Motion carries.

20 BOARD MEMBER COSTIGAN: Agenda Item 5a, approve  
21 the proposed amendments to the Finance and Administration  
22 Committee delegation resolution.

23 PRESIDENT FECKNER: On motion by Committee.

24 Any discussion on the motion?

25 Seeing none.

1 All in favor say aye?

2 (Ayes.)

3 PRESIDENT FECKNER: Opposed say no?

4 Motion carries.

5 BOARD MEMBER COSTIGAN: We had a busy meeting.

6 Agenda Item 5b, approve the proposed elected  
7 Board member percentage to time to be spent on Board  
8 related duties based on Board and Committee selections  
9 held in February and March 2017.

10 PRESIDENT FECKNER: On motion by Committee.

11 Any discussion on the motion?

12 Mr. Jelincic.

13 BOARD MEMBER JELINCIC: Yeah, as I pointed out at  
14 the Committee, I want to point out again, part of the  
15 reason -- in fact, the reason I get 100 percent  
16 reimbursement is I'm a PERS employee, and PERS has got to  
17 pay my salary no matter what I'm doing.

18 PRESIDENT FECKNER: Very good. Any other  
19 discussion on the motion?

20 Seeing none.

21 All in favor say aye?

22 (Ayes.)

23 PRESIDENT FECKNER: Opposed say no?

24 BOARD MEMBER COSTIGAN: Agenda Item 6a, approve  
25 the fiscal year 2017-18 annual budget proposal as a first

1 reading in the amount of 1,676,403,000, and 2,875  
2 positions, and approve the transmittal of this agenda item  
3 to the Joint Legislative Budget Committee, fiscal  
4 committees of the legislature, the State Controller and  
5 Department of Finance in accordance with the Budget Act of  
6 2016.

7 PRESIDENT FECKNER: On motion by Committee.

8 Any discussion on the motion?

9 Seeing none.

10 All in favor say aye?

11 (Ayes.)

12 PRESIDENT FECKNER: Opposed say no?

13 Motion carries.

14 BOARD MEMBER COSTIGAN: Agenda Item 7a, approve  
15 the proposed Asset Liability Management Policy with  
16 proposed committee revisions.

17 PRESIDENT FECKNER: On motion by Committee.

18 Any discussion on the motion?

19 Seeing none.

20 All in favor say aye?

21 (Ayes.)

22 PRESIDENT FECKNER: Opposed say no?

23 Motion carries.

24 BOARD MEMBER COSTIGAN: Agenda Item 8a, adopt the  
25 State employer contribution rates for the period July 1,

1 2017 to June 30th, 2018.

2 PRESIDENT FECKNER: On motion by Committee

3 Any discussion on the motion?

4 America Jelincic.

5 BOARD MEMBER JELINCIC: On both this and the next  
6 item, I'm going to be voting no. I do not believe that  
7 the discount rate being used is consistent with the  
8 requirements of GASB.

9 PRESIDENT FECKNER: Thank you.

10 Any further discussion on the motion?

11 Seeing none.

12 All in favor say aye?

13 (Ayes.)

14 PRESIDENT FECKNER: Opposed, no?

15 (No.)

16 PRESIDENT FECKNER: Motion carries.

17 BOARD MEMBER COSTIGAN: Item 8b, adopt the school  
18 pool employer and employee contribution rates for the  
19 period of July 1, 2017 to June 30, 2018.

20 PRESIDENT FECKNER: On motion by Committee.

21 Any discussion on the motion?

22 Seeing none.

23 All in favor say aye?

24 PRESIDENT FECKNER: Opposed, say no?

25 (No.)

1           PRESIDENT FECKNER: Motion carries.

2           BOARD MEMBER COSTIGAN: Agenda Item 10a, approve  
3 the proposed rescission of the policy for approval of  
4 reimbursement to State, school, and public employees  
5 public agency employers for elected Board members.

6           PRESIDENT FECKNER: On motion by Committee.

7           Any discussion on the motion?

8           Mr. Jelincic.

9           BOARD MEMBER JELINCIC: I believe that the policy  
10 itself, which is available to the public, provides insight  
11 that is lost when we move into procedures that are not  
12 available to the public, so I will be voting no.

13          PRESIDENT FECKNER: Thank you.

14          Seeing no other discussion.

15          All in favor say aye?

16          (Ayes.)

17          PRESIDENT FECKNER: Opposes say no?

18          (No.)

19          PRESIDENT FECKNER: Motion carries.

20          BOARD MEMBER COSTIGAN: Agenda Item 10b, approve  
21 the proposed rescission of the delegation resolution  
22 Finance Committee for the discharge of accountability of  
23 uncollectible debt.

24          PRESIDENT FECKNER: On motion by Committee.

25          Any discussion on the motion?

1           Seeing none.

2           All in favor say aye?

3           (Ayes.)

4           PRESIDENT FECKNER: All oppose, no?

5           (No.)

6           PRESIDENT FECKNER: Motion carries.

7           BOARD MEMBER COSTIGAN: Agenda Item 10c, approve  
8 the proposed revisions of the Discharge from  
9 Accountability Policy.

10          PRESIDENT FECKNER: On motion by Committee.

11          Any discussion on the motion?

12          Seeing none.

13          All in favor say aye?

14          (Ayes.)

15          PRESIDENT FECKNER: Opposed say no?

16          Motion carries.

17          BOARD MEMBER COSTIGAN: The Committee received  
18 reports on the following topics:

19                The Terminated Agency Pool Program annual report  
20 as of June 30th, 2015; the financial status for the six  
21 CalPERS PPO plans and the eight flex-funded HMO health  
22 plans.

23                As Chair, I directed the staff to review the  
24 resolutions that determine the mortality load and  
25 determine if the seven percent is the right amount; to

1 work with the East San Gabriel Valley Human Services  
2 members to provide information in a timely manner. And I  
3 know that Mr. Pacheco is going to be working on their PRA  
4 request; to bring back allocation of funding for the  
5 enterprise IT projects; and in May to provide more detail  
6 on the quarterly CIO report regarding project funding.

7 The Committee heard public comment on the  
8 following topics: The annual actuarial valuation for the  
9 terminated agency pool. And as Mr. Feckner so eloquently  
10 said, we do appreciate the folks showing up on what was a  
11 very difficult day for all involved.

12 And at this time, I would also like to share some  
13 highlights of what to expect at the May Finance and  
14 Administration Committee meeting. We're going to do the  
15 second reading of the 2017 annual budget proposal, the  
16 review of the Treasury Management and Reserve policies, a  
17 first reading of the CalPERS Budget Policy, and reports on  
18 the quarterly collection and termination and annual  
19 stakeholder perception survey.

20 Our next meeting is scheduled for May 16th, 2017  
21 in Sacramento.

22 Thank you, Mr. Feckner.

23 PRESIDENT FECKNER: Thank you, Mr. Costigan.

24 Item 7d, Performance, Compensation and Talent  
25 Management Committee. There was no meeting, no report.



1           Item 7e, Risk and Audit. There was no meeting,  
2 no report.

3           Item 7f, Board Governance Committee. For that I  
4 call on the Chair, Ms. Taylor.

5           BOARD MEMBER TAYLOR: Thank you, Mr. President.

6           The Board Governance Committee met on April 17th,  
7 2017.

8           The Committee recommends and I move the Board  
9 approve the following:

10           Agenda Item 3b, revisions to Board Governance  
11 Committee Delegation and Board Governance Policy regarding  
12 responsibility for creating, disbanding committees.  
13 Approve the rev -- excuse me, approve the revisions to the  
14 Board Governance Committee Delegation and to the Board  
15 Governance Policy to reassign the responsibility for  
16 creating and disbanding committees from Boar Governance  
17 Committee to the full Board of Administration.

18           PRESIDENT FECKNER: On motion by Committee.

19           Any discussion on the motion

20           Seeing none.

21           All in favor say aye?

22           (Ayes.)

23           PRESIDENT FECKNER: Opposed, no?

24           Motion carries.

25           BOARD MEMBER TAYLOR: I move the Board approve

1 the following:

2 Agenda Item 3c, Revision to Board Governance

3 policy Regarding Representation on Outside Boards.

4 Approve the revisions to the Board Governance Policy to

5 add a procedure for Board members to obtain approval of

6 the their service on outside boards related to CalPERS.

7 PRESIDENT FECKNER: On motion by Committee.

8 Any discussion on the motion?

9 Seeing none.

10 All in favor say aye?

11 (Ayes.)

12 PRESIDENT FECKNER: Opposed, no?

13 Abstentions?

14 BOARD MEMBER JELINCIC: Abstain.

15 PRESIDENT FECKNER: Motion passes.

16 BOARD MEMBER TAYLOR: And I move the Board

17 approve the following:

18 Agenda Item 3d, Revision to Board Governance

19 Policy Regarding Form 700 Transparency. Approve Form 700

20 transparency language, which will be added to the Board

21 Governance Policy.

22 PRESIDENT FECKNER: On motion by Committee.

23 Any discussion on the motion.

24 Mr. Jelincic.

25 BOARD MEMBER JELINCIC: The Committee explicitly

1 decided not to require the posting of travel expenses, and  
2 I will therefore explicitly be voting no.

3 PRESIDENT FECKNER: Thank you.

4 Any further discussion on the motion.

5 Seeing none.

6 All in favor say aye?

7 (Ayes.)

8 PRESIDENT FECKNER: Opposed, say no?

9 (No.)

10 PRESIDENT FECKNER: Motion carries.

11 BOARD MEMBER TAYLOR: And I move and the Board  
12 approve the following:

13 Agenda Item 5, Annual Review of the CEO  
14 Delegation. Approve revisions to the CEO delegation  
15 resolution, which includes language to clarify the CEO's  
16 delegated authority regarding public agency contract  
17 termination.

18 PRESIDENT FECKNER: On motion by Committee.

19 Any discussion on the motion?

20 Seeing none.

21 All in favor say aye?

22 (Ayes.)

23 PRESIDENT FECKNER: Opposes, no?

24 Motion carries.

25 BOARD MEMBER TAYLOR: And finally, the Committee

1 received reports on the following:

2           Staff provided an update on Form 700 compliance.  
3 The Committee discussed potential limitations on Board  
4 member email usage. The Chair, myself, directed staff to  
5 draft policy language with regards to the circulation of  
6 articles and other similar items of general interest from  
7 one Board member to the rest of the Board, and requiring  
8 all Board members to only use CalPERS electronic  
9 communication systems when conducting public business.

10           The public heard -- I'm sorry, the Committee  
11 heard public comment on Agenda Item 10 from Ben Vernazza  
12 with Precision Fiduciary Analysis.

13           Finally, the next meeting of the Board Governance  
14 Committee is tentatively scheduled for June 19th, 2017 in  
15 Sacramento, California.

16           PRESIDENT FECKNER: Thank you, Ms. Taylor.

17           That brings us to Agenda Item 8, Proposed  
18 Decisions of Administrative Law Judges.

19           Before I call on Mr. Jones, I do want to say that  
20 Mr. Chirag Shah from Shah and Associates, the Board's  
21 independent counsel for administrative law decisions is on  
22 the phone.

23           Good morning, Mr. Shah.

24           MR. SHAH: Good morning, Mr. President, members  
25 of the Board.

1           PRESIDENT FECKNER: Thank you. So if there's any  
2 questions, Board members, feel free to ask, and Mr. Shah  
3 will respond.

4           Mr. Jones, please.

5           VICE PRESIDENT JONES: Yeah. Thank you, Mr.  
6 President. I move to adopt the proposed decisions at  
7 Agenda Items 8a through 8l and agenda items 8o through 8t  
8 as the Board's own decisions with the minor modifications  
9 argued by staff to Agenda Items 8e, 8g, 8j, and 8l, and  
10 remand Agenda Items 8m and 8n for the taking of additional  
11 evidence as argued by staff.

12          PRESIDENT FECKNER: Moved by Mr. Jones.

13          Is there a second?

14          BOARD MEMBER MATHUR: Second.

15          PRESIDENT FECKNER: Seconded by Ms. Mathur.

16          Any request to speak on the motion?

17          Mr. Jelincic.

18          BOARD MEMBER JELINCIC: Yeah, I have a question  
19 for our counsel.

20          PRESIDENT FECKNER: Mr. Shah, are you listening?

21          MR. SHAH: Yes. Right here.

22          PRESIDENT FECKNER: Thank you, sir. Okay. Here  
23 we go.

24          MR. SHAH: Good morning.

25          BOARD MEMBER JELINCIC: We received late

1 submissions relative to 8s, as in Sam, and 8m, as in Mary.  
2 Have you had a chance to look at those and --

3 MR. SHAH: Yes, sir. I have looked at those and  
4 they do not change my recommendation to the Board.

5 PRESIDENT FECKNER: Okay. That was the second  
6 question. So I thank you.

7 PRESIDENT FECKNER: Thank you.

8 Mr. Gillihan.

9 BOARD MEMBER GILLIHAN: Thank you, Mr. President.

10 I'd like to move that we take 8t for a full Board  
11 Hearing.

12 PRESIDENT FECKNER: 8t?

13 BOARD MEMBER JELINCIC: T as in Thomas?

14 BOARD MEMBER GILLIHAN: Yes.

15 PRESIDENT FECKNER: Okay. So can we take item  
16 separately then?

17 BOARD MEMBER GILLIHAN: Sure.

18 PRESIDENT FECKNER: Okay. We'll take Item 8t  
19 separately, so remove that from the original motion.

20 All right. So we're on the original motion. Any  
21 further discussion on that motion?

22 Seeing none.

23 All in favor say aye?

24 (Ayes.)

25 PRESIDENT FECKNER: Opposed say no?

1 Motion carries.

2 We're on Item 8t. Mr. Gillihan, would like to --  
3 please. Let me get your microphone. There you go, sir.

4 BOARD MEMBER GILLIHAN: So as I -- as I read the  
5 summary of the case, it seems like this member was shorted  
6 \$2,700, because of the late implementation of my|CalPERS,  
7 of no fault of their own. And it seems that there's some  
8 question whether section 20160 applies in this matter or  
9 not. And so just out of respect for the member and the  
10 fact they did nothing wrong, I think we should hear it.

11 PRESIDENT FECKNER: All right.

12 Motion by Mr. Gillihan is we hear Item 8t.

13 Is there a second on the motion?

14 BOARD MEMBER COSTIGAN: Second.

15 PRESIDENT FECKNER: Seconded by Costigan.

16 Any discussion on the motion?

17 Seeing none.

18 All in favor say aye?

19 (Ayes.)

20 PRESIDENT FECKNER: Opposed say no?

21 Motion carries. Thank you.

22 Mr. Jones.

23 VICE PRESIDENT JONES: Yeah. Thank you, Mr.  
24 President. Before I go to Item 9a, I would just like to  
25 indicate, in response to Mr. Jelincic's question and Mr.

1 Shah, that in our packet is an formation item that  
2 explains that we received additional information, but it  
3 did not change the recommendations.

4 So Agenda Item 9 --

5 BOARD MEMBER JELINCIC: That's the problem with  
6 getting stuff passed as you sit down. So thank you.

7 VICE PRESIDENT JONES: Okay. Back to Agenda Item  
8 9a. I move to deny the petitions for reconsideration at  
9 Agenda Item 9a.

10 BOARD MEMBER MATHUR: Second.

11 PRESIDENT FECKNER: It's been moved by Jones,  
12 seconded by Mathur.

13 Any discussion on the motion?

14 Seeing none.

15 All in favor say aye?

16 (Ayes.)

17 PRESIDENT FECKNER: Opposed, no?

18 Motion carries. Thank you.

19 Thank you, Mr. Shah.

20 MR. SHAH: Thank you, Mr. President. Have a  
21 great day.

22 PRESIDENT FECKNER: You too.

23 Item 10, State and Federal Legislative Update.  
24 Ms. Ashley.

25 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good



1 morning, President Feckner and members of the Board.

2 PRESIDENT FECKNER: Good morning.

3 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Mary  
4 Anne Ashley, CalPERS team member.

5 I will be presenting the federal and State  
6 legislative update, Agenda Item 10, which is an  
7 informational item. The legislative summary is included  
8 in your Board materials for your reference. The  
9 highlights section of the report notes bills that have had  
10 substantive changes since my last update, either in the  
11 form of amendments or by committee action. And the  
12 remainder of the report notes the status of our sponsored  
13 bills, as well as those bills that we are closely  
14 monitoring.

15 Bill status is changing quickly, as the  
16 legislature just reconvened from spring recess this  
17 Monday. And with the closely approaching April 28th  
18 deadline for policy committees to hear and report to  
19 fiscal committees, those fiscal bills introduced in their  
20 house of origin.

21 One bill that I'd like to mention that was not  
22 included on the highlight section of the leg summary, as  
23 it was just amended this past Monday, is AB 20. As  
24 originally introduced, AB 20 required CalPERS and CalSTRS  
25 to divest from investments related to the Dakota Access

1 Pipeline. As I noted, the bill was amended this past  
2 Monday April 17th, and it no longer requires divestment,  
3 but instead requires CalSTRS and CalPERS to report  
4 specified information to the legislature in regards  
5 investments in companies that are constructing or funding  
6 the construction of the pipeline.

7 Additionally required to be in the report is a  
8 detailed description of the Board and staff's engagement  
9 activities with each company, and the results and efficacy  
10 of those engagement efforts.

11 However, a new provision was also added to the  
12 bill that would require the Board to include factors  
13 related to trival[sic] -- tribal sovereignty and tribal  
14 indigenous rights. And in the Board -- to be included in  
15 the Board's consideration of ESG issues when selecting or  
16 rejecting investments.

17 There has been significant outreach to the author  
18 and his staff, both by CalPERS team members and our  
19 stakeholders, in providing information and educating on  
20 the value of engagement. We are appreciative of the  
21 author and his staff and our stakeholders' efforts and  
22 willingness to work with us on this measure.

23 The bill is scheduled to be heard this morning in  
24 the Assembly PERS Committee. And so we will keep the  
25 Board updated as to what happens after the hearing.

1           Also scheduled to be heard in today's Assembly  
2 PERS Committee are three of our Board-sponsored bills, our  
3 three policy bills, AB 590, which the right of election  
4 break in service bill; AB 679, which is the securities  
5 lending collateral bill; and AB 1309, which is our  
6 reporting fee bill. All are set to be heard in today's  
7 hearing.

8           And then on Monday, in the Senate PERS Committee,  
9 our fourth sponsored measure, SB 525, which is our annual  
10 housekeeping bill, that will be heard in Senate PERS on  
11 Monday.

12           We will continue engaging with member offices and  
13 stakeholders on several measures to clarify the author's  
14 intent and to provide CalPERS subject matter expertise,  
15 and we will keep the Board updated as appropriate.

16           On the federal level, our federal representatives  
17 provided their update in their written reports that were  
18 provided to the Board. And the federal reports section of  
19 our leg summary notes those federal bills that we are  
20 closely monitoring.

21           Additionally, in efforts to establish working  
22 relationships with key congressional offices, Gretchen,  
23 who is the Assistant Division Chief over our Federal  
24 Policy Unit has begun the first of several meetings with  
25 our congressional members and/or their staff with the goal

1 of introducing herself in that policy role and in  
2 establishing relationships.

3 The meet and greets were done here in California  
4 when the legislature -- when the Congress, excuse me, was  
5 on recess. And Gretchen met with the offices of  
6 McClintock, Nunes, Costa, McCarthy, and Valadao. And she  
7 is continuing to schedule briefings moving forward.

8 And thank you. That concludes my update, and I  
9 am happy to answer any questions.

10 PRESIDENT FECKNER: Thank you.

11 Ms. Taylor.

12 BOARD MEMBER TAYLOR: Yes. Thank you. I just --  
13 thank you for the report. I -- you were talking earlier  
14 about making sure in the Dakota Access Pipeline Bill  
15 that some -- that our engagement is that the folks are  
16 following certain guidelines, the lenders, to the Dakota  
17 Access Pipeline, is that what you were referring to the  
18 Equator Principles?

19 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: I'm  
20 sorry, could you repeat that question?

21 BOARD MEMBER TAYLOR: So you were -- you were  
22 talking about after engagement with the legislature, that  
23 we also had engagement with the institutions around. Did  
24 I -- Did I hear that? And that you were talking about  
25 that they needed to follow some guidelines?

1           LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: So  
2 what I was saying is that in the amended version of the  
3 Bill, CalPERS and CalSTRS would have to report to the  
4 legislature on those engagement activities.

5           BOARD MEMBER TAYLOR: On the engagement  
6 activities.

7           LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:  
8 Right.

9           BOARD MEMBER TAYLOR: Okay. I just wanted to  
10 make sure I understand what you were saying. Thanks.  
11 Thanks, Ted, for coming up. I wasn't sure I understood  
12 what she was talking about. Thank you very much

13           PRESIDENT FECKNER: Thank you.  
14 Mr. Jelincic.

15           BOARD MEMBER JELINCIC: And continuing --  
16 continuing on AB 20, we're going to have continued  
17 discussions with the author. Again, I would like to  
18 encourage you to point out that if it's good policy, it  
19 ought to apply to all public funds. And if it's not good  
20 policy, it shouldn't apply to CalPERS and CalSTRS.

21           LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank  
22 you, yes.

23           BOARD MEMBER JELINCIC: The -- on AB 161, which  
24 is the Levine bill on guaranteeing investment returns, but  
25 that it is subject to the availability of funds in a

1 special fund. So it's guarantee that's not really  
2 guaranteed it, as I see it? Am I misreading something?

3 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: No,  
4 that's correct. It would be subject to funds made  
5 available in a special fund that would be created.

6 BOARD MEMBER JELINCIC: Okay. And then on  
7 Rodriguez AB 1487, which is out-of-class assignments,  
8 would -- would that -- if -- I'm not sure, would that be  
9 PERSable? Would those reim -- those payments be PERSable?

10 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: We're  
11 working with the sponsors of the measure to clarify their  
12 intent. Currently, we don't believe that that would be  
13 pensionable, but we're working with the author and the  
14 sponsors of the measure to clarify that.

15 BOARD MEMBER JELINCIC: Okay. Thank you.

16 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:

17 Um-hmm.

18 PRESIDENT FECKNER: Thank you.

19 Ms. Taylor.

20 BOARD MEMBER TAYLOR: Sorry about this, I saw  
21 another one.

22 AB 946, Ting, which is the border wall  
23 divestment. And I understand that this isn't gone  
24 through. And it's a possibility the border wall won't  
25 even go through Congress. But one thing I was wondering

1 is -- and this might be a Ted question, I don't know.  
2 We -- we do want to engage our investors. We don't want  
3 to divest from anybody that invests in the border wall,  
4 but I just have a -- I think CalPERS needs to be heard  
5 here. And I'm wondering if we could look into reviewing  
6 the systemic risk that this immigration policy coming from  
7 the federal level has on the fund, because if we are  
8 deporting our immigrants in California, we're looking at  
9 impacting our agricultural industry, our IT industry. And  
10 I'm wondering, Mr. Eliopoulos, if we could explore the  
11 risk around the immigration deportation issues?

12 CHIEF INVESTMENT OFFICER ELIOPOULOS: I would --  
13 what I would suggest is that we take that up in the  
14 Investment Committee, and specifically when we next take  
15 our strategic plan. Immigration was discussed as a topic,  
16 and the Committee had decided not to include it as part of  
17 our five-year plan at that time.

18 BOARD MEMBER TAYLOR: Right.

19 CHIEF INVESTMENT OFFICER ELIOPOULOS: So I think  
20 the consideration both of the work and the topic would  
21 best be taken up in the Investment Committee at the next  
22 point in time we have our strategic plan.

23 BOARD MEMBER TAYLOR: Okay. Thank you.

24 PRESIDENT FECKNER: All right. Seeing no other  
25 requests. Thank you.

1           LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank  
2 you.

3           Agenda Item 11, Summary of Board direction. Ms.  
4 Frost, do you have anything to add?

5           CHIEF EXECUTIVE OFFICER FROST: I do not, Mr.  
6 President, other than direction that already came through  
7 the Committee reports.

8           PRESIDENT FECKNER: Very good. Thank you.

9           Item 12, Public Comment. I have one request to  
10 speak from the public, Mr. Flaherman. Please come down on  
11 right left, the microphone will be on for you, and  
12 identify yourself for the record.

13          MR. FLAHERMAN: Good morning.

14          PRESIDENT FECKNER: Good morning.

15          MR. FLAHERMAN: I'm Michael Flaherman. I'm a  
16 retiree of CalPERS. I'm also a visiting scholar at UC  
17 Berkeley.

18          The reason I wanted to address you this morning  
19 is that I see that you're about to have a briefing on  
20 cybersecurity, and I want to call your attention to a --  
21 an alert that was put out by a major law firm Kirkland and  
22 Ellis, which advises probably a third of the private  
23 equity managers you do business with.

24          And I'm just going read just a couple of  
25 sentences. The title of this portion is called "Drawdown



1 Scam".

2 "Kirkland has recently been made aware of cyber  
3 criminals targeting private equity sponsors and their  
4 drawdown practices. That's calling capital from you. In  
5 these attacks, the prevalence of which is unclear, cyber  
6 criminals have hacked into sponsors systems..." --  
7 sponsors meaning private equity firm -- "...and obtained  
8 drawdown notices and LP information. The criminals then  
9 used fake drawdown requests with changed bank account  
10 details in an attempt to steel funds from LPs".

11 There are two reasons I bring this up. First,  
12 you're having this cybersecurity briefing. But the second  
13 reason I bring it up is because I called Mr. Jelincic's  
14 attention to this about a month ago, when I first became  
15 aware of it. And I'm concerned that if he chooses to  
16 raise the issue in closed session, this could become  
17 another of these very strange situations, where he's  
18 accused of leaking something that was actually told to  
19 him, but it appears to you that he's telling it to others.

20 That's a great concern. I'm also here, I guess,  
21 to raise the larger issue that I'm quite perplexed about  
22 the status of his censure. It's been, I think, more than  
23 three months since he was promised a public process. And  
24 I think we've all been waiting to see the charges, to see  
25 a public process, and nothing has happened.

1           Could -- could some kind of statement from the  
2 Board President be made about the status of what's going  
3 on with that?

4           PRESIDENT FECKNER:   When I'm prepared to do so,  
5 there will be one.

6           MR. FLAHERMAN:   So you're not prepared to make a  
7 statement.

8           PRESIDENT FECKNER:   I am not.

9           MR. FLAHERMAN:   So we have a situation of secret  
10 charges, and a secret trial, and --

11          PRESIDENT FECKNER:   No, I said when I'm prepared  
12 to --

13          MR. FLAHERMAN:   Well, that's very unfortunate.  
14 Thank you very much.

15          PRESIDENT FECKNER:   Yes, sir.   Thank you for your  
16 comments.

17          That brings us to Agenda Item 13.   We need a vote  
18 of approval by the Board to move into closed session to  
19 have the cybersecurity briefing.

20          Can I have a motion from the Board, please?

21          BOARD MEMBER LIND:   Moved.

22          BOARD MEMBER MATHUR:   Second.

23          PRESIDENT FECKNER:   Moved by Lind, seconded by  
24 Mathur.   Whoever's hand I saw first.

25          Any discussion on the motion?

1           Seeing none.

2           All in favor say aye?

3           (Ayes.)

4           PRESIDENT FECKNER: Opposed say no?

5           Very good. Motion passes.

6           We're going to recess the open session to go into  
7 closed session to have a briefing on cybersecurity, when  
8 we will come back into open session to report out any  
9 action that we took during -- if any action was taken  
10 during the closed session.

11           So, at this time, we're going to take a 13-minute  
12 recess to get ready for the next piece. So we will start  
13 at 10:00 o'clock.

14           We are on recess. Thank you.

15           (Off record: 9:48 a.m.)

16           (Thereupon the Board recessed into  
17 closed session.)

18           (Thereupon the meeting reconvened  
19 open session.)

20           (On record: 11:30 a.m.)

21           PRESIDENT FECKNER: Okay. The public has joined  
22 us again.

23           Hi, Wayne.

24           (Laughter.)

25           PRESIDENT FECKNER: We have reopened the open

1 session of the Board. Just to let everyone know that we  
2 had a presentation on cybersecurity, so we understand our  
3 risks and the processes going forward. And it was a great  
4 presentation. We thank everyone for your time, and this  
5 meeting is adjourned.

6 (Thereupon the California Public Employees'  
7 Retirement System, Board of Administration  
8 open session meeting adjourned at 11:31 a.m.)  
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## C E R T I F I C A T E   O F   R E P O R T E R

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California.

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of April, 2017.



JAMES F. PETERS, CSR  
Certified Shorthand Reporter  
License No. 10063